



GALIEN TOWNSHIP PUBLIC LIBRARY

GALIEN, MICHIGAN

FINANCIAL STATEMENTS

Year ended March 31, 2005

Auditing Procedures Report

Issued under P.A. 2 of 1968, as amended.

Local Government Type <input type="checkbox"/> City <input type="checkbox"/> Township <input type="checkbox"/> Village <input checked="" type="checkbox"/> Other		Local Government Name Galien Township Public Library	County Berrien
Audit Date 3/31/05	Opinion Date 6/10/05	Date Accountant Report Submitted to State: 7/19/05	

We have audited the financial statements of this local unit of government and rendered an opinion on financial statements prepared in accordance with the Statements of the Governmental Accounting Standards Board (GASB) and the *Uniform Reporting Format for Financial Statements for Counties and Local Units of Government in Michigan* by the Michigan Department of Treasury.

We affirm that:

1. We have complied with the *Bulletin for the Audits of Local Units of Government in Michigan* as revised.
2. We are certified public accountants registered to practice in Michigan.

We further affirm the following. "Yes" responses have been disclosed in the financial statements, including the notes, or in the report of comments and recommendations

You must check the applicable box for each item below.

- ☐ Yes ☒ No 1. Certain component units/funds/agencies of the local unit are excluded from the financial statements.
- ☐ Yes ☒ No 2. There are accumulated deficits in one or more of this unit's unreserved fund balances/retained earnings (P.A. 275 of 1980).
- ☐ Yes ☒ No 3. There are instances of non-compliance with the Uniform Accounting and Budgeting Act (P.A. 2 of 1968, as amended).
- ☐ Yes ☒ No 4. The local unit has violated the conditions of either an order issued under the Municipal Finance Act or its requirements, or an order issued under the Emergency Municipal Loan Act.
- ☐ Yes ☒ No 5. The local unit holds deposits/investments which do not comply with statutory requirements. (P.A. 20 of 1943, as amended [MCL 129.91], or P.A. 55 of 1982, as amended [MCL 38.1132]).
- ☐ Yes ☒ No 6. The local unit has been delinquent in distributing tax revenues that were collected for another taxing unit.
- ☐ Yes ☒ No 7. The local unit has violated the Constitutional requirement (Article 9, Section 24) to fund current year earned pension benefits (normal costs) in the current year. If the plan is more than 100% funded and the overfunding credits are more than the normal cost requirement, no contributions are due (paid during the year).
- ☐ Yes ☒ No 8. The local unit uses credit cards and has not adopted an applicable policy as required by P.A. 266 of 1995 (MCL 129.241).
- ☐ Yes ☒ No 9. The local unit has not adopted an investment policy as required by P.A. 196 of 1997 (MCL 129.95).

We have enclosed the following:

	Enclosed	To Be Forwarded	Not Required
The letter of comments and recommendations.			✓
Reports on individual federal financial assistance programs (program audits).			✓
Single Audit Reports (ASLGU).			✓

Certified Public Accountant (Firm Name) Scarpone & Co., P.C., CPA's			
Street Address 20 N. Second St., P.O. Box 1146		City Niles	State MI
Accountant Signature <i>James J. Scarpone, CPA</i>		ZIP 49120	Date 7/19/05

GALIEN TOWNSHIP PUBLIC LIBRARY

GALIEN, MICHIGAN

TABLE OF CONTENTS

FINANCIAL STATEMENTS

<u>ITEM</u>	<u>PAGE NUMBER</u>
BOARD OF TRUSTEES	1
INDEPENDENT AUDITORS' REPORT	2
MANAGEMENT'S DISCUSSION AND ANALYSIS.....	3-5
BASIC FINANCIAL STATEMENTS:	
Governmental Fund Balance Sheet and Statement of Net Assets.....	6
Governmental Fund Statement of Revenues, Expenditures and Changes in Fund Balance and Statement of Activities.....	7
Notes to Basic Financial Statements	8-12
REQUIRED SUPPLEMENTARY INFORMATION	
Budgetary Comparison Schedule - General Fund.....	13

GALIEN TOWNSHIP PUBLIC LIBRARY
GALIEN, MICHIGAN

BOARD OF TRUSTEES

Kay Longacre	-	President
Joyce Hickok	-	Vice-President
Corrinne Rock	-	Secretary
Linda Doyle	-	Treasurer
Alfred Gluth	-	Trustee
Paul Palmer	-	Trustee



SCARPONE & CO., P.C.
CERTIFIED PUBLIC ACCOUNTANTS & CONSULTANTS

June 10, 2005

Members of the Board of Trustees
Galien Township Public Library
Galien, Michigan

INDEPENDENT AUDITORS' REPORT

We have audited the accompanying basic financial statements of Galien Township Public Library as of and for the year ended March 31, 2005, as listed in the foregoing table of contents. These basic financial statements are the responsibility of the management of Galien Township Public Library. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in "Governmental Auditing Standards" issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the basic financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall basic financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the basic financial statements referred to above present fairly, in all material respects, the financial position of Galien Township Public Library as of March 31, 2005, and the changes in financial position for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

The management's discussion and analysis and the required supplemental information identified in the table of contents are not a required part of the basic financial statements but is supplemental information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplemental information. However, we did not audit the information and express no opinion on it.

Scarpone & Co., P.C.

GALIEN TOWNSHIP PUBLIC LIBRARY

MANAGEMENT'S DISCUSSION AND ANALYSIS

March 31, 2005

Galien Township Public Library, located in Galien Township, Berrien County, Michigan, is in its first year of implementing the provisions of Governmental Accounting Standards Board Statement No. 34 (GASB 34), with the enclosed report. Management's Discussion and Analysis, a requirement of GASB 34, is intended to be the Galien Township Public Library Management's Discussion and Analysis of its financial results for the year ended March 31, 2005.

Using this Report

This report consists of three parts - management's discussion and analysis, the basic financial statements, and required supplementary information. The basic financial statements include information that presents two different perspectives of the Library as follows:

Fund level financial statements - The first column of the financial statements includes information about the Library's General Fund reported on a modified accrual basis. Only those assets that are "measurable" and "currently available" are reported. Liabilities are recognized to the extent that they are normally expected to be paid with current financial resources. Further, in the fund level financial statements, purchased capital assets are reported as expenditures in the year of acquisition. No asset is reported. Additionally, the issuance of debt is recorded as a financial resource. The current year's payments of principal and interest on long-term obligations are reported as expenditures. Future year's debt obligations are not recorded.

Government-Wide financial statements - The third column of the financial statements includes information about the Library reported on a full accrual basis. These statements report all of the Library's assets and liabilities, both short-term and long-term, regardless if they are "currently available" or not. The statement of net assets and the statement of activities provide information about the activities of the Library as a whole, and therefore, present a longer-term view of the Library's financial status. These financial statements report how Library services were financed in the short-term as well as what remains for future spending.

The adjustments column of the financial statements represents adjustments necessary to convert the fund level financial statements to the government-wide financial statements under the full accrual method. Additionally, the financial statements include "notes to basic financial statements" that further explain some of the information contained in the financial statements and provide more detailed information and disclosure. The basic financial statements are followed by a section of required supplementary information that further explains and supports the information presented in the basic financial statements.

GALIEN TOWNSHIP PUBLIC LIBRARY

MANAGEMENT'S DISCUSSION AND ANALYSIS-CONTINUED

March 31, 2005

Condensed Financial Information

The table below compares key financial information in a condensed format for the year ended March 31, 2005.

	<u>(In thousands)</u>
Current assets	\$ 408.9
Capital assets	<u>38.8</u>
Total assets	<u>447.7</u>
Current liabilities	<u>2.1</u>
Net assets:	
Unrestricted	406.8
Invested in capital assets	<u>38.8</u>
Total net assets	\$ <u>445.6</u>
Revenues:	
Property taxes	\$ 42.2
County penal fines	32.0
Other	<u>14.2</u>
	88.4
Expenditures - Library services	<u>45.4</u>
Change in net assets	\$ <u>43.0</u>

GALIEN TOWNSHIP PUBLIC LIBRARY

MANAGEMENT'S DISCUSSION AND ANALYSIS-CONCLUDED

March 31, 2005

Overall Financial Position

The library's primary source of revenue is from property taxes and penal fines. For the year ended March 31, 2005, total tax collections were \$42,286 and total penal fines remitted totaled \$31,973, representing 47% and 35% of total revenues, respectively.

Salaries, related payroll taxes and fringe benefits are the largest overall expenditures of the Library. For the year ended March 31, 2005, these expenditures totaled \$18,122, representing 40% of the Library's total expenditures.

Library materials, which includes books, audio books, videos and periodicals, were the second largest overall expenditures of the Library. These expenditures totaled \$7,976, representing approximately 17% of the Library's total expenditures.

An additional one time only expenditure of \$900 was incurred for the appraisal of the Library's fixed assets, in order to conform to the requirements of GASB No. 34.

Library Budget Highlights

During the course of the fiscal year, the Library Board amended the budget to take into account events that occurred during the year. The Budget was amended to reflect the purchase of a new photocopy machine. Additionally, an amendment was authorized by the Board of Trustees for a special program expense. No other amendments were requested.

Contacting the Library's Financial Management

This financial report is intended to provide our citizens and taxpayers with a general overview of the Library's finances. If you have any questions about this report or need additional information, please contact the Galien Township Public Library for assistance.

GALIEN TOWNSHIP PUBLIC LIBRARY
GOVERNMENTAL FUND BALANCE SHEET
AND
STATEMENT OF NET ASSETS

March 31, 2005

	<u>General Fund Modified Accrual Basis</u>	<u>Adjustments</u>	<u>Statement of Net Assets</u>
<u>ASSETS</u>			
Cash and cash equivalents	\$ 80,569	\$ -	\$ 80,569
Investments	324,961	-	324,961
Taxes receivable	3,387	-	3,387
Capital assets	-	38,825	38,825
TOTAL ASSETS	\$ 408,917	\$ 38,825	\$ 447,742
<u>LIABILITIES</u>			
LIABILITIES:			
Accounts payable	\$ 1,334	-	1,334
Payroll taxes payable	759	-	759
TOTAL LIABILITIES	2,093	-	2,093
<u>FUND BALANCES / NET ASSETS</u>			
FUND BALANCES:			
Undesignated	406,824	(406,824)	-
TOTAL FUND BALANCES	406,824	(406,824)	-
TOTAL LIABILITIES AND FUND BALANCES	\$ 408,917		
NET ASSETS:			
Invested in capital assets			38,825
Unrestricted			406,824
TOTAL NET ASSETS			\$ 445,649

See accompanying notes to basic financial statements.

GALIEN TOWNSHIP PUBLIC LIBRARY

**GOVERNMENTAL FUND STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCE AND STATEMENT OF ACTIVITIES**

Year ended March 31, 2005

	General Fund Modified Accrual Basis	Adjustments	Statement of Activities
REVENUES:			
Property taxes	\$ 42,286	\$ -	\$ 42,286
State-shared revenue	2,786	-	2,786
County penal fines	31,973	-	31,973
Charges for services	1,537	-	1,537
Interest	7,607	-	7,607
Donations	2,258	-	2,258
TOTAL REVENUES	88,447	-	88,447
EXPENDITURES:			
Automation	480	-	480
Payroll and related taxes	18,122	-	18,122
Utilities	3,827	-	3,827
Supplies	2,326	-	2,326
Repairs and maintenance	1,953	-	1,953
Insurance	1,505	-	1,505
Professional services	2,700	-	2,700
Memberships	995	-	995
Workshops and travel	155	-	155
Library materials	7,976	-	7,976
Contractual services	1,937	-	1,937
Miscellaneous	1,270	-	1,270
Capital outlay	2,509	(2,271)	238
Depreciation	-	1,934	1,934
TOTAL EXPENDITURES	45,755	(337)	45,418
EXCESS OF REVENUES OVER EXPENDITURES / CHANGE IN NET ASSETS	42,692	337	43,029
FUND BALANCE / NET ASSETS, BEGINNING OF YEAR	364,132	38,488	402,620
FUND BALANCE / NET ASSETS, END OF YEAR	\$ 406,824	\$ 38,825	\$ 445,649

See accompanying notes to basic financial statements.

GALIEN TOWNSHIP PUBLIC LIBRARY

NOTES TO BASIC FINANCIAL STATEMENTS

For the year ended March 31, 2005

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

The accounting policies of Galien Township Public Library ("Library") conform to accounting principles generally accepted in the United States of America (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. A summary of the significant policies adopted by the Library are as follows:

REPORTING ENTITY:

Galien Township Public Library is located in Galien, Michigan and provides library services to residents in Galien, Bertrand and Weesaw Townships. The Library was established pursuant to MCLA 397.210 as an authority. The Library is a separate legal entity, however the Library cannot issue debt nor levy taxes without Township approval. It is operated as a free cooperative public library, and is governed by a six member board elected by the citizens of Galien Township.

BASIS OF PRESENTATION:

Generally accepted accounting principles (GAAP) according to GASB 34 requires the reporting of two types of financial statements: Government-Wide Financial Statements (i.e., the Statement of Net Assets and the Statement of Activities) and Fund Financial Statements. The government-wide and fund financial statements are combined, with a reconciliation shown between them.

The Library has one fund, the General Fund, which is the Library's operating fund.

The General Fund is budgeted and accounted for using the current financial resources measurement and the modified accrual basis of accounting. Revenue is recognized as it is both measurable and available. Revenue is considered to be available if it is collected within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the Library considers revenues to be available if they are collected within 60 days of the end of the current period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting.

COMPENSATING ABSENCES:

The Library's personnel policies do not permit the accumulation and carryforward of vacation and sick days. Accordingly, no accrual has been recorded by the Library at March 31, 2005 for compensated absences, since such amounts are not material.

TAX INFORMATION:

Property tax revenues are recognized based on the date of tax levy (December 1).

GALIEN TOWNSHIP PUBLIC LIBRARY

NOTES TO BASIC FINANCIAL STATEMENTS - CONTINUED

For the year ended March 31, 2005

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONCLUDED:

CASH AND CASH EQUIVALENTS:

Cash and cash equivalents are recorded at cost and include cash investments with an original maturity of three months or less.

CAPITAL ASSETS:

The accounting treatment over property, plant and equipment (capital assets) depends on whether the assets are reported in the government-wide or fund financial statements.

Government-Wide Statements

In the government-wide financial statements capital assets are valued at historical cost, or estimated historical cost if actual is unavailable, except for donated capital assets, which are recorded at their estimated fair value at the date of donation.

Depreciation of all exhaustible capital assets is recorded as an allocated expense in the Statement of Activities, with accumulated depreciation reflected in the Statement of Net Assets. Depreciation is provided over the assets' estimated useful lives using the straight-line method of depreciation. The range of estimated useful lives by type of asset is as follows:

	<u>Years</u>
Building	50
General furnishings & equipment	10 - 20
Computers & related equipment	5

Library materials were determined to have generally exceeded their estimated useful lives and therefore are fully depreciated. Such assets are not reflected in the statement of net assets.

The minimum capitalization threshold is any item with a total cost greater than \$250.

In the fund financial statements, capital assets used in governmental fund operations are accounted for as capital outlay expenditures of the governmental fund upon acquisition.

ESTIMATES:

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenditures during the reporting period. Actual results could differ from those estimates.

GALIEN TOWNSHIP PUBLIC LIBRARY

NOTES TO BASIC FINANCIAL STATEMENTS - CONTINUED

For the year ended March 31, 2005

NOTE B - CASH AND CASH EQUIVALENTS:

Cash and cash equivalents consisted of the following at March 31, 2005:

Petty cash	\$	180
Deposits in financial institutions		<u>80,389</u>
	\$	<u>80,569</u>

The above deposits in financial institutions of \$80,389 were reflected in the accounts of the Library's financial institutions (without recognition of checks written but not yet cleared, or of deposits in transit) at \$82,124. Of that amount, \$66,853 was covered by federal depository insurance coverage and \$15,271 was uninsured and uncollateralized.

NOTE C - INVESTMENTS:

Investments consist of certificates of deposit in financial institutions with an original maturity of greater than three months. The balance held at March 31, 2005 was \$324,961. Of that amount, \$184,738 was covered by federal depository insurance coverage and \$140,223 was uninsured and uncollateralized.

NOTE D- RISK MANAGEMENT:

The Library maintains commercial insurance to insure potential significant losses. There have been no significant reductions in insurance coverage by the Library for the year ended March 31, 2005.

GALIEN TOWNSHIP PUBLIC LIBRARY

NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS - CONTINUED

Year ended March 31, 2005

NOTE E - CAPITAL ASSETS:

Capital asset activity of the Library for the year ended March 31, 2005 was as follows:

	<u>Balance</u> <u>March 31,</u> <u>2004</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u> <u>March 31,</u> <u>2005</u>
Assets not being depreciated:				
Land	\$ 24,000	\$ -	\$ -	\$ 24,000
Capital assets being depreciated:				
Building	43,410	-	-	43,410
General furnishings & equipment	15,813	-	-	15,813
Computers & related equipment	8,279	2,271	-	10,550
	<u>67,502</u>	<u>2,271</u>	<u>-</u>	<u>69,773</u>
Accumulated depreciation:				
Building	37,824	135	-	37,959
General furnishings & equipment	7,070	489	-	7,559
Computers & related equipment	8,120	1,310	-	9,430
	<u>53,014</u>	<u>1,934</u>	<u>-</u>	<u>54,948</u>
Net capital assets being depreciated	<u>14,488</u>	<u>337</u>	<u>-</u>	<u>14,825</u>
Net capital assets	\$ <u>38,488</u>	\$ <u>337</u>	\$ <u>-</u>	\$ <u>38,825</u>

GALIEN TOWNSHIP PUBLIC LIBRARY

NOTES TO BASIC FINANCIAL STATEMENTS - CONCLUDED

For the year ended March 31, 2005

NOTE F - RECONCILIATION OF FUND FINANCIAL STATEMENTS TO GOVERNMENT-WIDE FINANCIAL STATEMENTS:

Total fund balance and the net change in fund balance of the Library's General Fund could differ from net assets and change in net assets of the governmental activities reported in the statement of net assets and statement of activities. The difference primarily may result from the long-term economic focus of the statement of net assets and statement of activities versus the current financial resources focus of the governmental fund balance sheet and statement of revenue, expenditures, and changes in fund balance. The following is a reconciliation of fund balance to net assets and the net change in fund balance to the net change in net assets:

Total Fund Balance - modified accrual basis	\$ 406,824
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Amounts reported in the Statement of Net Assets are different because:

Capital assets are not financial resources, and are not reported in the funds	38,825
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Net Assets of General Fund - full accrual basis	\$ 445,649
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Net Changes in Fund Balance - modified accrual basis	\$ 42,692
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Amounts reported in the Statement of Activities are different because:

Capital outlays are reported as expenditures in the Statement of Revenues, Expenditures, and Changes in Fund Balance; in the Statement of Activities, these costs are allocated over their estimated useful lives as depreciation:

Capital outlay	2,271
Depreciation	(1,934)

Change in Net Assets of General Fund - full accrual basis	\$ 43,029
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REQUIRED SUPPLEMENTARY INFORMATION

GALIEN TOWNSHIP PUBLIC LIBRARY

BUDGETARY COMPARISON SCHEDULE

GENERAL FUND

Year ended March 31, 2005

	<u>Budgeted Amounts</u>			Variance With Final Budget Favorable (Unfavorable)
REVENUES:	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
Property taxes	\$ 35,000	\$ 35,000	\$ 42,286	\$ 7,286
State-shared revenues	3,000	3,000	2,786	(214)
County penal fines	23,500	23,500	31,973	8,473
Charges for services	1,100	1,100	1,537	437
Interest	8,150	8,150	7,607	(543)
Donations	750	750	2,258	1,508
TOTAL REVENUES	<u>71,500</u>	<u>71,500</u>	<u>88,447</u>	<u>16,947</u>
EXPENDITURES:				
Automation	600	600	480	120
Improvements	3,000	3,000	-	3,000
Payroll and related taxes	20,000	20,000	18,122	1,878
Utilities	4,130	4,130	3,827	303
Supplies	3,900	3,900	2,326	1,574
Repairs and maintenance	5,200	5,200	1,953	3,247
Insurance	1,600	1,600	1,505	95
Professional services	2,600	2,600	2,700	(100)
Memberships	1,000	1,000	995	5
Workshops and travel	1,000	1,000	155	845
Library materials	8,500	8,500	7,976	524
Contractual services	1,400	1,400	1,937	(537)
Miscellaneous	1,230	1,830	1,270	560
Capital outlay	850	3,350	2,509	841
TOTAL EXPENDITURES	<u>55,010</u>	<u>58,110</u>	<u>45,755</u>	<u>12,355</u>
EXCESS OF REVENUES OVER EXPENDITURES	<u>16,490</u>	<u>13,390</u>	<u>42,692</u>	<u>29,302</u>
FUND BALANCE, BEGINNING OF YEAR	<u>364,132</u>	<u>364,132</u>	<u>364,132</u>	<u>-</u>
FUND BALANCE, END OF YEAR	<u>\$ 380,622</u>	<u>\$ 377,522</u>	<u>\$ 406,824</u>	<u>\$ 29,302</u>

See auditor's report and accompanying notes to basic financial statements.